

**TO ALL KNOWN CREDITORS**

16 March 2021

Ref: RB/MC/EG/KH/JM/LM

Email: [CXRe@uk.ey.com](mailto:CXRe@uk.ey.com)

Dear Sirs

**CX Reinsurance Company Limited (in Administration) (“the Company”)**  
**High Court of Justice Business and Property Courts of England and Wales Insolvency and Companies List (ChD), Number CR-2020-003307**

The Company entered Administration on 17 August 2020 and Richard Barker and Simon Edel were appointed to act as Joint Administrators. The appointment was made by the High Court following an application under the provisions of paragraph 12(1) (b) of Schedule B1 to the Insolvency Act 1986.

Under the terms of appointment, any act required or authorised to be done by the Joint Administrators can be carried out by any one of them.

Statutory information about the Company, the administration and the office holders is provided at Appendix A.

This report, including its appendixes, constitutes the Joint Administrators first report on the progress of the administration in accordance with the requirements of The Insolvency (England and Wales) Rules 2016. This report covers the period from 17 August 2020 to 16 February 2021 and should be read in conjunction with the Joint Administrators’ Statement of Proposals dated 7 October 2020 (“the Proposals”) and the Joint Administrators’ fee estimate and details of expenses dated 7 October 2020.

Copies of the above documents and other announcements are available at the following website [https://www.ey.com/en\\_uk/ey-cx-reinsurance-company-administration](https://www.ey.com/en_uk/ey-cx-reinsurance-company-administration).

**Summary of progress to 16 February 2021**

**Approval of Proposals**

The Proposals were issued to all known creditors of the Company on 7 October 2020. The Joint Administrators sought approval of the Proposals from the Company’s creditors by deemed consent. The Proposals were approved without modification on 23 October 2020 by deemed consent.

**Run off Operating model**

Immediately on appointment, the Administrators worked with key suppliers to agree revised terms to ensure critical operations of the Company could be maintained and the business could continue to operate in run-off in a cost-efficient manner during the administration. Further details about the key suppliers are provided in the outsource providers section of this report.



## **Building a better working world**

It was decided that office premises were not critical to the Company's ongoing operations, therefore, the Company's office lease was allowed to expire in December 2020 with no replacement. The Company's employees have been working remotely since March 2020 and are expected to continue to do so for the remainder of the administration.

The Company's operations are being funded through realisations made from the Company's assets, namely cash balances and unencumbered financial instruments.

The Joint Administrators will continue to monitor the Company's operating model and make amendments as necessary.

### **Employees**

As detailed in the Proposals, one role was made redundant on 31 August 2020. A further two roles have subsequently been made redundant, one on 8 January 2021 and another outside of this reporting period, on 10 March 2021. Accordingly, the Company currently has two staff, one full time and one part time, and the remaining roles are subject to continued review depending on the Company's operational needs.

During this reporting period, a total of £220,972 has been paid in respect of the Company's staff, consisting of salaries, employer taxes and pension payments. Following the reduction in staff headcount, we expect staff costs to be much reduced in the next reporting period.

The Joint Administrators are considering putting in place contracting agreements with two former employees to be able to access corporate knowledge on an ad-hoc basis in the future.

### **Outsource providers**

Tawa Associates Limited ("TAL") is the sole shareholder of the Company and recharged certain overhead expenses and labour costs to the Company under a cost sharing agreement. The agreement with TAL was terminated as at 31 December 2020 and the Company no longer receives services from TAL. Total fees of £18,329 were paid to TAL in this reporting period.

Pro Insurance Solutions Limited ("Pro") is an insurance service provider authorised by the Financial Conduct Authority and continues to provide services in respect of claims management, including hosting the Company's claims data and management system, and run-off activities of the Company.

During the period of our report, the Company has experienced software and hardware failures which impacted the claims management system. Whilst this has prevented access to the live software system used to extract claims information from the claims database, the underlying data has remained secure with a relevant data back-up system in place. The hardware failure was resolved by Pro during January 2021 and options for resolving the software failure are being assessed alongside a transition to a new claims management system to support the run-off as detailed below.

Whilst the software issue persists, incoming claims, of which there have been very low volumes, are being logged manually into a claims database which is maintained by Pro and the Company's staff.

The Administrators have engaged a third-party IT contractor with specialist knowledge in insurance data systems to provide an independent view of a cost effective solution that will have the required capabilities for day to day management of claims as well as support a claims valuation and distribution process as part of a Scheme of Arrangement, as the expected method of concluding the Company's run-off.



## **Building a better working world**

In early March 2021, Pro provided notice of their intention to cease services to the Company in respect of the IT systems from 1 April 2021. In anticipation of this step, the Administrators were already in discussions with an IT supplier to arrange a controlled transition from Pro, in particular the transfer of claims related data into a new data system.

Total fees in the amount of £48,403 were paid to Pro in this reporting period. Systems related costs incurred in the period, including contracting staff and the hardware fix referenced above, amounted to £28,273.

An outsource provider, Abacus 155 Limited (“Abacus”), is used to process the Company’s payroll. £168 was paid to Abacus in the period.

### **VAT registration**

Prior to administration, the Company was a member of the TAL VAT Group and we understand that the Company was recovering 61.4% of input VAT based on prior agreement with HMRC. The Company was removed from the TAL VAT Group, effective from the date of the appointment of the Administrators. All pre-administration VAT returns have been filed and a refund of £13,814 has been received from HMRC.

The Administrators have applied to HM Revenue and Customs (“HMRC”) for a standalone VAT registration. To date, this has not been processed by HMRC as we understand that there are delays arising from the Covid-19 pandemic. The Administrators have regularly chased HMRC to enquire about the progress of the VAT application.

During the period to 16 February 2021, the Company had incurred input VAT of £188,971. Once the standalone VAT registration is confirmed and VAT number issued by HMRC, VAT returns covering the post administration period will be submitted. Assuming that the Company’s pre-administration recovery rate applies to the post administration period, we anticipate recovering approximately £116,000 in due course.

### **Corporation Tax**

The Company has filed Corporation Tax returns for all periods up to 31 December 2019 and a final pre-appointment return for period to 16 August 2020 (due by 16 August 2021) is being prepared.

For the year ending 31 December 2019, the Company incurred substantial tax losses, of which losses in the amount of £2,227,503 were surrendered to an associated group company in consideration for a fee equal to half of the benefit which they will obtain from the losses, which equates to 9.5% of the value of the losses surrendered. Accordingly, a payment in the amount of £211,613 was received in the period in this respect.

No further recoveries are expected from tax losses incurred by the Company in later tax periods as the tax group was broken as a result of the appointment of the Joint Administrators.

### **Asset Recoveries**

#### **Debt Purchase Assets and Reinsurance Debtors**

The Directors’ Statement of Affairs stated that the Company had debt purchase assets with a book value of £1,306,779 and reinsurance debtors with a book value of £2,361,206. The corresponding estimated realisable values were £2,362,893 and £2,200,712 respectively. Estimated recoveries of the debts



**Building a better working world**

purchased were previously subject to profit sharing arrangements with Pro (who assisted with collection activity) which ceased on appointment.

All known debtors have been notified of the administration and the Administrators requested updates on the estimated futures recoveries and timings. Funds in the amount of £379,403 were recovered from debt purchase assets in the period and the Administrators continue to pursue potential recoveries.

Our current understanding is that the Company may recover further debt purchase assets of approximately \$2,000,000 by the end of 2021 and an additional \$800,000 by the end of 2022. These estimates are refreshed on a quarterly basis and as new information becomes available. The actual amounts recovered in due course and timing of receipts may differ from current estimates as it depends on matters external to the administration.

No recoveries relating to Reinsurance Debtors were made during the reporting period. The Company has the benefit of reinsurance contracts in relation to some of the policies it has issued and, therefore, reinsurance claims will continue to be made by the Company during the administration, where appropriate.

### **Treasury Management**

All cash held by the Company at the date of administration, equating to £702,824, was transferred to bank accounts controlled by the Administrators.

A further £488,584 was realised from the closure of a historic trust arrangement for which Royal Bank of Canada acted as Custodian.

At the date of administration, the Company held an unencumbered investment portfolio, managed by BlackRock, consisting largely of government treasury issued financial instruments in custody accounts held with State Street. The Administrators have decided to allow these investments to mature at their respective redemption dates before returning the cash to the Administrators' bank accounts. During this period, funds in the amount of £5,319,030 were realised from this portfolio, which includes cash held at the date of appointment and the securities and associated accrued interest redeemed during the reporting period.

As at 16 February 2021, investments with a net book value of USD \$4,946,789 are still held which will be realised as they mature unless it is deemed more cost effective to realise them early. It is expected that c. USD \$1.37m of securities will mature by end of 2021, with the remaining c. USD \$2.60m due to mature in 2022.

### **Asset Protection**

#### **Chapter 15 Order recognition**

The appointment of the Administrators created protection for the Company in the United Kingdom, through a statutory moratorium. This prevents any third party from commencing or continuing UK legal action without permission of the Administrators or the Court. The moratorium does not automatically extend to other jurisdictions.

A significant part of the Company's business was conducted in the United States of America ("US"). At the date of administration, the Company was party to a significant number of active litigation cases in the US Courts, and the majority of the Company's assets and liabilities were in the US. Accordingly,



**Building a better working world**

following discussion with US legal counsel, the Administrators applied for recognition under Chapter 15 of the US Bankruptcy Code to protect the Company's US estate.

A Chapter 15 recognition order was granted by the Court on 8 October 2020. The order provides a stay on the majority of the Company's US legal proceedings which will allow the Company and the Administrators to facilitate resolution of proceedings through consensual settlement, conclusion of the litigation or resolution through the UK insolvency process, taking account of the costs and benefit of each option in the interests of the creditors as a whole.

In addition, the Chapter 15 order provides a constructive forum for the Administrators to work with the Company's US Regulators and insurance creditors and will be a key requirement for a Scheme of Arrangement or any other distribution mechanism for US creditors in due course.

Agent fees and expenses of USD \$38,478 were paid to Epiq Corporate Restructuring LLC in connection with the notices and publications required for the Chapter 15 bankruptcy application.

### **Trust Fund arrangements and Letter of Credit**

The Company is party to two trust fund arrangements in the US, a Surplus Line Trust and a Reinsurance Trust, which hold investment portfolios with combined assets valued at USD \$18,128,497 as of 16 February 2021.

The Administrators have taken legal advice in respect of the terms of the trust deeds and are liaising with the Department of Financial Services in New York ("DFS") to seek to agree a cost effective strategy for dealing with the trust funds in the context of the administration and the Administrators' proposals.

A Letter of Credit ("LOC") in the amount of USD \$3,700,000 issued by Barclays Bank plc to the benefit of a US insurance creditor was outstanding at the date of appointment. The creditor drew down the full amount of the LOC during the period. The LOC was collateralised by the Company and, following settlement of the LOC drawdown and associated fees, the Company was entitled to receive the amount of USD \$530,760 from Barclays in respect of surplus collateral. This amount was realised into the Administrators' bank accounts shortly after the reporting period ended.

### **Liability Management**

#### **Litigation**

On the date of appointment, the Company was involved in 29 active litigation matters, all in US Courts with the exception of one matter in the German Courts.

The Administrators have been working with the Company's appointed legal advisors on each matter to verify the status of all litigation proceedings and identify those proceedings which are likely to have a material impact on the run-off strategy.

With respect to London Market related litigation matters in which the Company participated, the Administrators have initiated the process of withdrawing from matters where it is assessed that there is little or no benefit for the Company remaining a party to the litigation. Each situation will continue to be assessed on its relative merits, taking into account the costs and benefits to the estate.

The Company was party to five key litigation matters, all relating to lead paint exposure in the US. During January 2021, the Joint Administrators reached a consensual settlement on one lead paint matter



**Building a better working world**

through a court approved mediation. The terms of this confidential settlement are in the process of being documented.

We continue to communicate with the relevant legal advisors to conclude the Company's participation in the remaining cases in a manner that is considered most beneficial for the creditors as a whole. It is anticipated that at least one of the cases which is material to the outcome to creditors will need to proceed through the US Courts and may not be concluded within the next 18 months.

The Administrators are aware that the Company may have funds held in escrow accounts of various legal firms in relation to ongoing legal proceedings. The Administrators have written to all legal firms instructed by the Company and are pursuing recoveries of escrow funds where identified.

Legal fees in the total amount of £316,191 have been paid in the period to Stevens & Bolton LLP (UK Counsel), FriedFrank (US Counsel), and various other US attorneys for advice relating to Chapter 15 recognition, strategy on US Trust funds and advice on active litigation matters.

## **Regulatory Engagement**

The Company remains a regulated insurance company and must comply with various regulatory requirements. The Administrators engage regularly with the Prudential Regulatory Authority and Financial Conduct Authority on the progress of the administration.

## **Creditors' Committee**

In the Administrators' Statement of Proposals, we requested creditors to consider if they wish to elect a Creditors' Committee.

The creditors of the Company approved the Administrators' Statement of Proposals and voted to establish a Creditors' Committee by deemed consent. With respect to the establishment of the Creditors' Committee, the Administrators received more than five nominations, which is the permitted maximum numbers of formal members. Following discussions with all nominees, two creditors voluntarily withdrew their nominations.

The Creditors' Committee was formally established on 5 November 2020 and formed of the following creditors:

1. The Chubb Group of Insurance and Reinsurance Companies
2. Hannover Ruck SE
3. The Travelers Companies, Inc St Paul Protective Insurance Company
4. Square D Company
5. Kaiser Gypsum Co., and Hanson Permanente Cement, Inc

The main role of the Creditors' Committee will be to consult on the administration strategy and ensure creditors' views are represented and considered.

The first formal meeting of the Creditors' Committee to discuss the progress of the administration took place virtually on 18 November 2020. A second meeting of the Creditors' Committee is in the process of being scheduled for to be held in late March 2021.

### **Proposed Administration Exit**

The Company's involvement in and the outcome of litigation, predominately related to lead paint liabilities, could have a material impact on ultimate liabilities. As this involves both direct and reinsurance creditors, it is unlikely the Administrators will be able to take any significant steps to resolve the estate until that litigation is concluded, which is anticipated may take at least a further 18 months.

Following resolution of the major ongoing litigation, the Administrators will be in a position to consider the most appropriate means of enabling conclusion of the administration. The Administrators consider it is probable that a Scheme of Arrangement is the process most likely to bring finality to the run-off. Given the need to resolve the Company's litigation matters prior to launching a Scheme of Arrangement, it is possible that the Administrators may need to apply to the Court for an extension of the administration beyond its current end date of 16 February 2023 in due course.

A Scheme of Arrangement is likely to include a combination of solutions to address the differing interests and priorities of the various creditor groups, which is complicated by the Company's Trust Funds. At this point, it seems probable that a Scheme of Arrangement pursuant to Part 26 of the Companies Act 2006 may be able to provide the flexibility to deliver a consensual solution, but it is too early to conclude this with any certainty. The Administrators are mindful of developing an exit solution which provides a robust claims valuation mechanism and maximises returns to creditors by mitigating the costs of a long-term insolvency process to run-off of the Company's book of business.

The proposed exit strategy will be discussed with the Creditors Committee and updates will be provided to creditors in future progress reports as matters progress.

### **Receipts and payments account**

A summary of the Administrators' receipts and payments for the period from 17 August 2020 to 16 February 2021 is attached at Appendix B, which includes a summary of the receipts and payments for the reporting period. The Administrators' receipts and payments account is a statement of cash received and cash paid out and does not reflect estimated future realisations or costs.

### **Investigations**

The Joint Administrators have undertaken an investigation into the Company's affairs following their appointment in accordance with their obligations pursuant to Statement of Insolvency Practice Number 2 (Investigations by Office Holders) and the Company Directors Disqualification Act 1986.

A confidential return on the conduct of all persons who have been directors, shadow or de-facto directors of the Company during the three years prior to our appointments has been submitted to the Insolvency Service.

### **Joint administrators' remuneration and disbursements**

The statutory provisions relating to remuneration are set out in Part 18 of the Insolvency (England and Wales) Rules 2016. In certain circumstances, creditors are entitled to request further information about our remuneration or expenses, or to apply to court if they consider the costs to be excessive (Rules 18.9 and 18.34 of the Insolvency (England and Wales) Rules 2016).

The Creditors' Committee passed a resolution on 14 December 2020 to fix the Administrators' remuneration on a time-cost basis and that the Administrators be authorised to draw 80% of their time costs (plus VAT and expenses) on a monthly basis with the remaining 20% being subject to approval of

the Creditors' Committee. However, an agreement is yet to be reached with the Creditors' Committee on the Administrators' hourly rates. Discussions have been ongoing with the Creditors' Committee in this regard during the period of this report.

Based on the hourly rates included in the Joint Administrators' fee estimate dated 7 October 2020, the Joint Administrators have incurred time costs of £1,833,572 in the period, against which £600,000 was agreed by the Creditors' Committee to be drawn. An analysis of the time spent, and a comparison with the fee estimate dated 7 October 2020 is attached as Appendix D to this report. Appendix D also provides a statement of the Administrators' policy in relation to charging time and disbursements.

To date, the Joint Administrators have incurred disbursements of £11,543 none of which have been drawn to date. An analysis of the disbursements are set out in Appendix D of this report.

It is not currently expected that the Joint Administrators' remuneration will exceed the amount provided for in the fee estimate.

### **Joint administrators' statement of expenses incurred**

During the period covered by this report, expenses totalling £830,879 (net of VAT and excluding Joint Administrators' fees and disbursements) have been paid to third parties in administering the Company's estate. A breakdown of expenses incurred in this period are enclosed at Appendix C.

### **Pre-administration costs**

A statement of pre-administration costs was made in the Proposals totalling £49,998 plus VAT, comprising the costs incurred by the Joint Administrators in preparing for the administration.

The Joint Administrators have drawn fees of £45,000 plus VAT in full settlement of the pre-administration costs following a resolution approved by the Creditors' Committee on 14 December 2020.

### **Distributions to creditors**

Insurance policyholders were informed that the administration of the Company does not terminate or cancel a current policyholder's contract of insurance (unless specifically stated in their policy). Accordingly, claims should continue to be directed to the Company in the normal course.

The hierarchy of debts for an insurance company is set out in the The Insurers (Winding-up and Reorganisation) Regulations 2004 and applies to the Company. The effect of which is that Direct Insurance creditors have priority over other classes of unsecured creditors, including Reinsurance Creditors.

At this time, whilst material uncertainties exist in relation to the quantum of liabilities that could arise from the ongoing court proceedings, an estimate of the value and timing of distributions to any class of creditors cannot be accurately estimated.



### Next report

We will report to you again in six months' time by 16 September 2021, we will share this with creditors by publication on the Company's website.

Yours faithfully  
for the Company



Richard Barker  
Joint Administrator

Richard Barker and Simon Edel are licensed in the United Kingdom to act as insolvency practitioners by The Insolvency Practitioners Association.

The affairs, business and property of the Company are being managed by the Joint Administrators, Richard Barker and Simon Edel, who act as agents of the Company only and without personal liability.

The Joint Administrators may act as data controllers of personal data as defined by the UK General Data Protection Regulation (as incorporated in the Data Protection Act 2018), depending upon the specific processing activities undertaken. Ernst & Young LLP and/or the Company may act as a data processor on the instructions of the Joint Administrators. Personal data will be kept secure and processed only for matters relating to the Joint Administrator's appointment. The Office Holder Data Privacy Notice can be found at [www.ey.com/uk/officeholderprivacy](http://www.ey.com/uk/officeholderprivacy).

## Appendix A

### Information about the proceedings, the company and the office holders, as required by Rule 18.3(1) of the Insolvency (England and Wales) Rules 2016

Name of court:	High Court of Justice Business and Property Courts of England and Wales and Companies (ChD)
Court reference number:	CR-2020-003307
Company registered number:	01086556
Registered name of the company:	CX Reinsurance Company Limited
Registered office address of the company:	Ernst & Young LLP, 1 More London Place, London, SE1 2AF
Former principal trading address (if different from above)	118 Pall Mall, London United Kingdom, SW1Y 5ED
Name(s) and address(es) of administrator(s):	Richard Barker and Simon Edel Ernst & Young LLP, 1 More London Place London, SE1 2AF
Office holder number(s):	17150 / 9810
Division of Administrators' responsibility	Any of the functions to be performed or powers exercisable by the Administrators may be carried out/exercised by any one of them acting alone or by any or all of them acting severally
Name of alternative person to contact with enquiries about the case:	<a href="mailto:Cxre@uk.ey.com">Cxre@uk.ey.com</a>
Prescribed Part	The Administrators have established that there are no valid fixed or floating charges registered against the Company. In the absence of a floating charge, there are no monies required to be set aside to creditors under s176A of the Act being under the 'Prescribed Part' formula.

### Statement concerning the EC Regulation

The EC Council Regulation on Insolvency proceedings does not apply to this Administration.

## Appendix B

### CX Reinsurance Company Limited (in Administration)

#### Joint Administrators' Summary of Receipts and Payments from 17 August 2020 to 16 February 2021

	Statement of Affairs	17/08/2020 16/02/2021 GBP	17/08/2020 16/02/2021 USD	17/08/2020 16/02/2021 EUR	Consolidated amounts GBP	
	Notes	£	£	\$	€	£
<b>RECEIPTS</b>	<b>1</b>					
Assets subject to fixed charge	4	18,364,117	-	-	-	-
Surplus from Trust Assets	5	-	488,584	-	-	488,584
Cash at Bank	3	745,513	73,112	821,849	41,962	702,824
Investments	4	9,277,715	2,307,832	1,167,921	2,496,151	5,319,030
Debt Purchase		2,362,893	-	415,724	91,306	379,403
Reinsurers share of technical provisions		361,888	-	-	-	-
Trade Debtors		2,582,193	-	-	-	-
Prepayments and accrued interest		172,549	-	-	-	-
Bank Interest		-	53	-	-	53
Pre-appointment VAT Return		-	13,814	-	-	13,814
Tax losses surrendered		-	211,613	-	-	211,613
<b>Total Receipts</b>		<b>33,866,868</b>	<b>3,095,009</b>	<b>2,405,494</b>	<b>2,629,420</b>	<b>7,115,322</b>
<b>PAYMENTS</b>						
Staff Costs		-	220,972	-	-	220,972
Outsource Providers		-	56,987	13,732	-	66,900
US Legal Fees and Expenses		-	226,623	-	-	226,632
UK Legal Fees and Expenses		-	22,589	-	-	22,589
Legal Costs- various US attorneys		-	-	91,475	1,079	66,970
US Chapter 15 Bankruptcy Noticing Agent		-	-	38,478	-	27,776
Software Licensing		-	2,321	-	-	2,321
IT Systems		-	28,273	-	-	28,273
VAT Paid	1	-	188,971	-	-	188,971
Pre-Appointment Administrators Fees		-	45,000	-	-	45,000
Post-Appointment Administrators Fees		-	600,000	-	-	600,000
Bank Charges		-	70	885	1	709
Sundry Expenses		-	2,178	-	-	2,178
<b>Total Payments</b>			<b>1,393,983</b>	<b>144,571</b>	<b>1,080</b>	<b>1,499,282</b>
<b>Net Receipts/(Payments)</b>		<b>33,866,868</b>	<b>1,701,026</b>	<b>2,260,922</b>	<b>2,628,340</b>	<b>5,616,040</b>
<b>INTER-ACCOUNT CROSS CURRENCY PAYMENTS</b>						
Transfer to GBP Account from EUR Account	5	-	2,332,567	-	-	2,332,567
EUR Transfer to GBP Account	5	-	-	-	(2,627,423)	(2,332,567)
<b>Cash balances</b>		<b>33,866,868</b>	<b>4,033,593</b>	<b>2,260,922</b>	<b>917</b>	<b>5,616,040</b>
Represented By:						
RBS Current Account- GBP			4,033,593			4,033,593
RBS Current Account- USD				2,260,922		1,632,081
RBS Current Account- EUR					917	797
Exchange rate accounting Adjustment	6		(50,431)			(50,431)
<b>Net Receipts/(Payments)</b>			<b>-</b>	<b>3,983,162</b>	<b>2,260,922</b>	<b>917</b>
						<b>5,616,040</b>

## Appendix B

### Notes

1. Receipts and payments are stated net of VAT, with VAT paid being included as a separate item under Payments. The VAT position of the Company is under review and a portion of incurred input VAT is expected to be recoverable.

2. Statement of Affairs balances are shown in GBP. At the date of administration, the Company held assets predominantly in GBP and USD. Whilst the Statement of Affairs is presented in GBP, the receipts and payments account is shown by individual currency account held and translated to GBP in the consolidated amounts column using the Bank of England exchange rate at the period end date (GBP 1: USD 1.3853 and GBP 1: EUR 1.1513).

3. Cash at bank represents monies belonging to the Company and held by certain third party banks at the date of administration. These funds are now held in bank accounts controlled by the Joint Administrators. The receipts and payments reflect the Joint Administrators' bank account transactions only.

4. Certain of the Company's assets are held by third parties in accounts in the name of the Company and over which the Joint Administrators have authority to act. These balances include:

- ▶ a. Assets held with State Street, valued as at 16 February 2021:
  - ▶ i. Assets subject to a fixed charge – USD 18,128,497
  - ▶ ii. Unencumbered investments – USD 5,486,264
- ▶ b. Assets held with Natixis, valued as at 28 February 2021
  - ▶ i. Assets subject to a fixed charge – EUR 351,817.12

5. Inter-account cross currency receipts and payments reflect the transfer of funds held in the foreign currency bank accounts into Sterling accounts to as part of treasury management.

6. Exchange rate adjustment based on the difference between the Bank of England exchange rate at the date of transactions and the period end date.

## Appendix C

### Summary of the Joint Administrators' expenses incurred for the period from 17 August 2020 to 16 February 2021

#### Payments made from the estate which are not disbursements

Category of Expense	Per estimate dated 7 October 2020 £ (exc VAT)	Incurred to 16 February 2021 £ (exc VAT)
Employee wages & salaries	765,000	207,977
Employee pension contributions	49,000	12,995
Service & overhead costs- TAL	100,000	18,329
Service costs- Pro	610,000	48,403
IT & Finance Systems	125,000	30,594
Insurance	6,000	433
UK Legal fees & Expenses- Stevens & Bolton	125,000	22,589
US Legal fees & Expenses- Fried Frank	450,000	373,746
US Legal costs- various US attorneys	Uncertain	66,970
UK Scheme of arrangement legal fees- Stevens & Bolton	250,000	-
US Scheme of arrangement legal fees- Fried Frank	125,000	-
UK Scheme of arrangement legal fees- Counsel	100,000	-
Agent Fees and expenses- Epiq (Notice Agent)	25,000	27,776
Agent Fees- Abacus (Payroll Agent)	6,000	168
Bank & Interest Charges	5,000	709
Fund manager costs- Blackrock	145,000	18,351
Storage Costs	3,000	-
Sundry expenses	5,000	1,745
Public Notices	1,000	95
<b>Total Expenses</b>	<b>2,895,000</b>	<b>830,879</b>
<b>Pre-Appointment Costs</b>		
Pre-Appointment Administrators Fees	49,988	45,000
<b>Total pre-appointment costs</b>	<b>49,988</b>	<b>45,000</b>
<b>TOTAL EXPENSES</b>	<b>2,944,988</b>	<b>875,879</b>
<b>Category 1 &amp; 2 disbursements</b>		
Specific penalty bond	1,280	1,280
Postage, photocopying and printing	2,000	10,169
Mileage	1,000	-
<b>Total disbursements</b>	<b>4,280</b>	<b>11,449</b>
<b>TOTAL DISBURSEMENTS &amp; EXPENSES</b>	<b>2,949,268</b>	<b>887,328</b>

Expenses comprise sums paid or to be paid to third parties and sums paid or payable to the Administrators' firm in respect of out of pocket expenses and costs which include an element of shared or allocated costs. The table details the expenses expected to be incurred during the administration estimated at £2,949,268 plus VAT, comprising pre-administration costs and expenses of the administration. Please note, there are some costs that we are unable to estimate at this stage, such as legal costs for US attorneys.

At present, total expenses have not exceeded the original estimate provided. However, the expenses which have individually exceeded the estimate to 16 February 2021 are:

- **Agent Fees and expenses- Epiq (Notice Agent)**

Agent fees and expenses relate to the fees payable to Epiq Corporate Restructuring LLC in connection with the notices and publications required for the Chapter 15 bankruptcy application.

- **Postage, photocopying and printing**

Third party costs incurred by the Joint Administrators and their staff in respect of printing and posting written communications to creditors, shareholders and other stakeholders (as required).

**Notes**

- 1 Statement of Insolvency Practice 9 ("SIP 9") defines expenses as amounts properly payable from the insolvency estate which are not otherwise categorised as office holders' remuneration or distributions to creditors.
- 2 SIP 9 defines disbursements as a type of expense which is met by, and reimbursed to, an office holder in connection with an insolvency appointment. Disbursements fall into two categories: Category 1 and Category 2.
  - Category 1 disbursements are payments to independent third parties where there is specific expenditure directly referable to the appointment
  - Category 2 disbursements are expenses which are directly referable to the appointment but not a payment to an independent third party. They may include shared and allocated costs.

Summary of the Joint Administrators' time costs incurred for the period from 17 August 2020 to 16 February 2021

	Staff Grade				Total Hours	Time Costs (£)	Average Hourly Rate
	Partner & Director	Assistant Director & Manager	Executive	Analyst			
Trust assets	6.3	84.4	14.4	6.5	111.6	78,057.00	699
Debt purchases	0.7	30.1	29.4	22.0	82.2	37,375.50	455
Reinsurance and other debtors	0.3	12.1	6.0	8.2	26.6	12,922.00	486
Treasury management	1.8	106.1	25.4	11.2	144.5	90,773.50	628
Initial letters and notices	8.4	42.0	58.2	49.8	158.4	73,826.50	466
Proposals, decisions procedure and creditor consultation	9.6	88.1	25.4	34.7	157.8	95,721.00	607
CDDA and SIP2 compliance	1.7	12.2	52.4	27.5	93.8	38,445.00	410
Creditors' Committee	16.7	61.7	88.6	32.1	199.1	107,990.00	542
Reporting to creditors	1.1	4.2	22.4	23.0	50.7	19,058.50	376
Other statutory and compliance	1.0	19.0	17.6	24.0	61.6	26,176.00	425
Statement of Affairs	0.2	3.2	6.5	-	9.9	5,243.50	530
Insurance	-	0.1	3.3	0.5	3.9	1,460.50	374
Creditor enquiries and management	1.0	36.4	32.3	74.9	144.6	56,629.00	392
Employees and Board	2.1	28.4	121.2	1.0	152.7	70,421.50	461
Receipts and payments	0.7	31.2	119.3	13.1	164.3	71,612.00	436
Administrators' supervision of run off	50.3	188.7	29.8	48.6	317.4	217,672.50	686
Accounting and treasury	0.7	7.5	49.1	0.3	57.6	26,146.50	454
Pensions	-	2.0	11.0	-	13.0	5,842.50	449
VAT & Tax	13.2	47.9	26.2	38.6	125.9	71,692.50	569
Regulatory (UK & US)	16.9	123.0	22.6	17.7	180.2	120,333.00	668
Chapter 15	11.5	26.6	2.2	17.3	57.6	39,764.50	690
Claims litigations matters	96.7	311.4	17.9	234.6	660.6	392,689.00	594
Data & Software	5.7	147.7	8.0	24.6	186.0	126,304.50	682
Scheme of arrangement	2.7	13.8	-	-	16.5	12,287.50	745
Project management and administration oversight	8.2	30.9	4.2	7.3	50.6	34,608.50	684
<b>Total Hours</b>	<b>257.50</b>	<b>1,458.70</b>	<b>793.40</b>	<b>717.50</b>	<b>3227.10</b>		
<b>Time Cost (£)</b>	<b>305,360.50</b>	<b>1,043,378</b>	<b>305,459</b>	<b>179,375</b>	<b>1,833,572</b>	<b>1,833,572</b>	
<b>Average Hourly Rate (£)</b>	<b>1,186</b>	<b>715</b>	<b>385</b>	<b>250</b>	<b>569</b>		
<b>Category 1 Disbursements (£)</b>	<b>8,403</b>						
<b>Category 2 Disbursements (£)</b>	<b>3,140</b>						
	<b>11,543</b>						

**Statement of Administrators' charging policy for remuneration and disbursements pursuant to Statement of Insolvency Practice No.9**

**Joint Administrators' charging policy for remuneration**

The Joint Administrators have engaged managers and other staff to work on the Administration. The work required is delegated to the most appropriate level of staff taking account of the nature of the work and the individual's experience. Additional assistance is provided by accounting and treasury executives dealing with the Company's bank accounts and statutory compliance diaries. Work carried out by all staff is subject to the overall supervision of the Joint Administrators.

All time spent by staff working directly on case-related matters is charged to a time code established specifically for this engagement. Time is recorded in units of six minutes. Each member of staff has a specific hourly rate, which is subject to change over time. The hourly rate for each category of staff over the period is shown below:

<b>Grade Description</b>	<b>Hourly Rate (£)</b>
Partner	1,255
Director	1,025
Senior Manager	855
Manager	650
Executive	385
Analyst	250
Staff & Support	250



**Summary of Joint Administrators' expenses incurred**

Type of Expense	Paid in Period (£)	Outstanding (£)	Total (£)
<b>Payments made from the estate which are not disbursements (See notes 1 &amp; 2 at the end of this table)</b>			
Advertising	-	94.50	94.50
<b>Category 1 disbursements (See Note 1)</b>			
Specific penalty bond	-	1,280.00	1,280.00
Postage, Photocopying and Printing	-	7,028.37	7,028.37
<b>Category 2 disbursements (See Note 2)</b>			
Postage, Photocopying and Printing	-	3,140.35	3,140.35
<b>Totals</b>	-	<b>11,543.22</b>	<b>11,543.22</b>

**Office Holders' Charging Policy for Disbursements**

**Statement of Insolvency Practice No. 9 ("SIP 9") published by R3 (The Association of Business Recovery Professionals) divides disbursements into two categories.**

1. Category 1 disbursements are defined as specific expenditure relating to the administration of the insolvent's affairs and referable to payment to an independent third party. Such disbursements can be paid from the insolvent's assets without approval from the Creditors' Committee. In line with Statement of Insolvency Practice No. 9, it is our policy to disclose Category 1 disbursements drawn but not to seek approval for their payment. We are prepared to provide such additional information as the Committee require to support the disbursements drawn.
2. Category 2 disbursements are charges made by the office holder's firm that include elements of shared or overhead costs. Statement of Insolvency Practice No. 9 provides that such disbursements are subject to approval as if they were remuneration. It is our policy, in line with SIP 9, to seek approval for this category of disbursement before they are drawn.